

Message Text

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TO AMEMBASSY OTTAWA

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TAGS: EFIN, SCUL, CA

SUBJECT: TIME CANADA

REF: OTTAWA 460

1. TIME, INC. BOARD CHAIRMAN HEISKELL, PUBLISHER DAVIDSON, PRESIDENT SHEPLEY AND VICE-PRESIDENT ZORTHIAN CALLED ON DEPUTY ASSISTANT SECRETARY VINE FEBRUARY 12 TO REVIEW CURRENT STATUS OF TIME CANADA'S SITUATION IN LIGHT OF RECENT ANNOUNCED CANADIAN GOVERNMENT INTENTION TO REMOVE TIME AND READER'S DIGEST "GRANDFATHER" STATUS UNDER CANADIAN TAX LAWS.

2. TIME OFFICIALS SAID THEY WERE CONSIDERING THREE OPTIONS IN LIGHT OF CANADIAN ANNOUNCEMENT:

A. CLOSE OUT TIME CANADA'S OPERATIONS AND SUPPLY CANADIAN READERS BY MEANS OF U.S. EDITION (ESTIMATED WEEKLY CIRCULATION ABOUT 150,000).

B. CONTINUE TO OPERATE IN CANADA UNDER REVISED TAX STATUS

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AS NON-CANADIAN PUBLICATION. (UNLIKELY THIS WOULD PROVE

TO BE ECONOMICALLY FEASIBLE.)

C. ATTEMPT TO QUALIFY UNDER CHANGED TAX STATUS AS CANADIAN

PUBLICATION. THIS WOULD REQUIRE 75 PERCENT CANADIAN OWNERSHIP AND CHANGES IN CONTENT OF TIME CANADA TO SATISFY REQUIREMENT THAT IT NOT BE QUOTE SUBSTANTIALLY THE SAME END QUOTE AS U.S. EDITION (FOLLOWING FORMULA IN SECTION 19 (5)(A)(II)(F) OF THE CANADIAN INCOME TAX ACT).

3. IN CONSIDERING THE THIRD OPTION, TIME OFFICIALS NOTED DIFFICULTIES IN GETTING OFFICIAL CANADIAN DEFINITION OF CANADIAN CONTENT IN SENSE OF BEING QUOTE SUBSTANTIALLY END QUOTE DIFFERENT FROM U.S. EDITION (AS NOTED REFTEL). PROSPECTIVE CANADIAN OWNERS WOULD NEED TO KNOW WHETHER TIME CANADA COULD MEET QUOTE CANADIAN CONTENT END QUOTE REQUIREMENT BEFORE MAKING DECISION ON PURCHASE. TIME OFFICIALS STATED THAT CANADIAN GOVERNMENT OFFICIALS HAVE RESISTED PROVIDING ANY DEFINITION ON GROUNDS OF QUOTE HYPOTHETICAL END QUOTE NATURE OF QUESTION.

4. DAVIDSON SAID FEW MEMBERS OF CANADIAN PARLIAMENT WERE EXPECTED TO OPPOSE CANADIAN GOVERNMENT'S PLANNED ACTION AGAINST TIME AND READER'S DIGEST. TIME IS CONSIDERING LAUNCHING A WIDER PUBLIC CAMPAIGN TO PRESENT ITS CASE TO THE CANADIAN PUBLIC, POINTING OUT RETROACTIVE AND EXPROPRIATORY NATURE OF CANADIAN ACTION. TIME OFFICIALS ALSO PLAN TO TESTIFY DURING HEARINGS ON PROPOSED LEGISLATION.

5. WE RECALLED THAT LAST FALL TIME CANADA REPRESENTATIVES HAD TOLD EMBASSY OTTAWA THAT OFFICIAL INTERVENTION WAS NOT DESIRED BECAUSE OF POTENTIAL COUNTER-PRODUCTIVE EFFECT. DAVIDSON CONFIRMED THAT TIME CONTINUES TO MAINTAIN THIS ATTITUDE BUT DID NOT EXCLUDE POSSIBILITY OF ASKING FOR HELP AT LATER STAGE. HE SAID HE WOULD CONTINUE TO KEEP US INFORMED AS SITUATION DEVELOPS. INGERSOLL

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